EFFECT OF SOCIO ECONOMIC STATUS ON FINANCIAL INCLUSION: A STUDY AMONG WOMEN IN MADHYA PRADESH

Session (2021-22)

A Synopsis Submitted to

Shri Vaishnav Vidhyapeeth Vishwavidhyalaya

In partial fulfillment for the award of Degree of

DOCTOR OF PHILOSOPHY

In

Management

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DECALARATION BY THE CANDIDATE

I **Mrs. Aditi Sharma** registered as a research scholar (Registration No. **2105PHDMB08338**) in Shri Vaishnav Vidyapeeth Vishwavidyalaya, Indore, do hereby declare that this synopsis is submitted in the partial fulfillment for the award of the degree of Doctor of Philosophy in Management a prescribed by the university.

I hereby declare that work which is being presented in the synopsis entitled "The Intersectionality of Education, Employment and Geography in Financial Inclusion: A Study among Women in Madhya Pradesh" research carried out by me. I further declare that to the best of my knowledge and belief, the thesis does not contain any part of any work which has been submitted for the award of any degree either in this University or in any other University/ Deemed University without proper citation.

I also declare that the text, tables or any other material taken from other sources (indicating but not limited to books, journals and websites) have been acknowledged, referred and cited to the best of my knowledge and understanding.

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"Effect of socio economic status on Financial Inclusion: A Study among Women in Madhya Pradesh".

CHAPTER-1

INTRODUCTION

Around one billion people worldwide reside in homes with daily per capita incomes of less than $1.25. (World Bank, 2011). In spite of this bleak outlook, there is hope that by offering financial services to low-income households, serious problems with poverty can be resolved and significant changes can be made to social and economic institutions. Financial inclusion is a pressing national issue in the current economic climate, attracting the attention of both Indian and international academics, as well as the Government of India (GOI). The idea of financial inclusion is gaining traction in India. In 1969, 14 significant commercial banks were nationalized with the aim of expanding the accessibility of credit to India's underserved and unserved masses. Nevertheless, despite these initiatives, significant portions of the populace continue to lack access to the numerous services provided by the established banking system. According to a recent World Bank estimate, 50% of adult's worldwide lack even the most basic bank accounts in established financial institutions. According to a 2012 research by the World Bank, 65 percent of adults in India, which has a population of nearly 1.23 billion, did not have access to a bank account. Poor demand for financial services, which is a result of a number of factors such as ignorance, low income, poverty, and illiteracy, leads to financial exclusion.

Government of India (GOI), financial institutions, and policymakers are acutely aware that the consequences of leaving significant portions of the population out of the development process could be disastrous in a phase of high growth and are therefore developing suitable financial inclusion policies. The "Pradhan Mantri Jan Dhan Yojana (PMJDY)" is a national financial inclusion initiative launched by the Government of India (GOI) with the goal of integrating the vast majority of unbanked households into the formal banking system by giving them access to basic bank accounts, debit cards, and accident insurance coverage. By giving the poor access to formal banking services and financial literacy, this was done with the intention of eradicating financial untouchability, ensuring that every family has at least one bank account, and granting them the right to use credit, insurance, and pensions. The plan had established deadlines and goals, such as giving every household a bank account within a year. Every household opening a bank account will also receive a Rs. 1,000,000 personal accident insurance policy and a Rs.

30,000.00 life insurance policy. After six months of opening the bank account, a Rs. 5,000 no-collateral overdraft option was also made available. The program
mme began on August 28, 2014. A record 15 million bank accounts were opened on the first day, and by August 2015, 75 million new accounts were to have been opened. Due to the fact that over 79.8 million people had already registered bank accounts, the government decided to raise the goal to 100 million new households opening bank accounts by January 26, 2015.
Financial inclusion has been recognized as fundamental tool for inclusive economic growth and poverty alleviation. The World Bank's stated universal objective of achieving global financial access by 2020 provides focus to the activity of financial inclusion and it being identified as basic necessity for economic growth and poverty alleviation. Enabling affordable access to financial services for low-income and vulnerable groups, as well as timely and sufficient financing as need can be used to describe financial inclusion. The goal of financial inclusion is to make banking and financial services accessible to everyone in a fair, transparent, and equitable manner at a reasonable price.

Urban areas are typically characterized by high population density and vast human features in comparison to areas surrounding it. These are developed areas where the majority of economic activities are centralized. Urban areas are equipped with a highly advanced infrastructure like better roads, airports, bridges, buildings, etc. Educational and medical facilities are more readily available and more diverse in urban areas.
Rural areas are areas which are not urbanized, though when large areas are described, country towns and smaller cities will be included. They are characterized by farming, which is their main economic source, and they are less populated. Differences between urban and rural can also lead to different sociocultural dynamics, lifestyles, and perspectives among the people living in these areas.
As of September 2021, the educational status of women in rural India had been improving over the years, but still lags behind that of men and of women in urban areas, the 2011 census, and the literacy rate of women in rural India was 57.93% compared to the overall female literacy rate of 65.46% in the country. The Right to Education Act in 2009 significantly increased enrollment rates in primary schools across India, including in rural areas. Despite these strides, dropout rates were high, especially among girls. This was often due to societal norms that prioritize boys' education, a lack of female teachers, poor sanitation facilities, and other challenges whereas the literacy rate of women in urban areas of India was significantly higher than in rural areas. According to the 2011 census, the female literacy rate in urban areas was

79.92% the educational status of women in urban India has generally been better than in rural areas due to several factors such as improved access to schools, less labor demands at home, and changing social norms.

The labor force participation rate (LFPR) for women in rural India has historically been higher than in urban areas, mainly due to the predominance of agriculture. However, this rate has been declining over the years. According to the Periodic Labour Force Survey (PLFS) of 2018-2019, the LFPR of rural women was 24.6% compared to 20.4% of urban women. A significant portion of rural women's work is unpaid. They are often engaged in farming, animal husbandry, and other household-related labor without receiving formal wages. This work is often not recognized as economic activity. Lower educational attainment and a lack of access to skill development programs are significant barriers to more profitable employment for rural women. In urban areas, women were more likely to be employed in sectors such as manufacturing, health care, education, and the service industry. This arises the need of understanding women's financial inclusion in urban and rural areas. The current study focuses to understand major factors which affect financial inclusion amongst women; its variation depending upon geography, education level and employment status in the state of Madhya Pradesh.

CHAPTER: 2

REVIEW OF LITERATURE

- Vishwakarma & Jaiswal (2023) done their study in Varanasi and analyzed that urban and rural areas and finding shows that financial inclusion positively and significantly influences the financial well-being of women. In demographic variables education, monthly income, and occupation significantly affect the financial well-being of women. Implication of the study policymakers and government authorities to upsurge the financial well-being of women by ensuring their access to appropriate financial products and services and improve women's financial abilities and skills.

- Yahaya & Sufiyanu (2023) concluded that in Nigeria the financial literacy is essential for achieving financial inclusion among women. To encourage financial inclusion among women, the study recommends that the government should initiate programs that will train women and also include financial literacy education at secondary or tertiary level to teach skills and information on how to utilize and manage financial services and products.

- Govindapuram and Bhupatiraju (2023) concluded that on the bases of National Family Health Survey (NFHS-4) conducted in 2015-16 in India, concluded that household-level economic indicators like wealth, gender of household head and their rural-urban location are crucial factors and informal gender norms that govern women's mobility and economic activity crucially influence the ability of women to access loans and open bank accounts.

- Rao & Balammal (2021) concluded that rural areas face greater challenges in terms of financial inclusion. Infrastructural inadequacies, low literacy rates, and lack of awareness about financial products are some of the main obstacles.

- Mishra & Mishra (2020) concluded that low population density in rural areas can discourage financial institutions from setting up branches due to high operational costs.

- Kaur & Kapuria (2020) concluded that female-headed households in rural areas have a lower probability of accessing institutional finance and higher probability of accessing non institutional finance in general, education levels, monthly household consumption

expenditure, land size holding, irrigated area and penetration of scheduled commercial banks favourably influence female-headed households accessing institutional finance.

- Olayinka & Adegbite (2020) concluded that there is need of bridging the financial inclusion gender gap in smallholder agriculture through targeted strategies like digital financial inclusion and gender responsive agricultural finance innovations would not only advance efforts aimed at closing this gap in Nigeria.

- Murillo (2020) concluded that situation in good financial management starts with using a positive financial attitude towards the country. Researcher worked on cognitive learning and how and when people take knowledge about finance which shapes their financial behavior.

- Barik & Sharma (2019) concluded by taking the data from financial access survey and global findex and RBI bulletin after the implementation Pradhan Mantri Jan Dhan Yojana in August 2014, much improvement has happened in opening of bank deposit accounts and digitalization of banking process despite high growth of digital transaction, digital payment among the women, rural people, elderly people, and less educated people is much less than other groups of people and still provisions.

- Elzahi & Ali (2019) investigated that empowering women in Comoros through Islamic financial inclusion. The women's surveyed including payment, borrowing, savings and investments, and insurance financial inclusion where they found that women's have weak ability to participate in all the dimensions.

- Aiman & Ebrahim (2019) found in their research that women invest less than men for a variety of reasons. Women are more dangerous than men. Women are deliberately kept from making financial decisions because they cannot understand investing. The main sources of investment for individual investors are bank deposits and the main purpose of investing in children's education, marriage, and post-retirement security. The ability of financial professionals to deal with the psychological aspects of their clients, such as financial stress, and relationship and behavioral problems, has become an important factor associated with creating and implementing a financial planning framework.

- Bhatia & Singh (2019) concluded financial inclusion and women empowerment is closely related also analyzed the awareness about government schemes related to women empowerment.

- Datta & Singh (2018) studied the publicly available data to determine the extent of financial inclusion and the phenomena of urbanization and the growth of city in women empowerment.

- Ozili (2018) the researcher draws attention to a number of issues, including the degree of financial inclusion that is ideal or excessive, the transmission of systemic risks to the formal financial sector as a result of financial inclusion, and whether financial inclusion or exclusion is pro-cyclical in response to changes in the economic cycle. The results show that the degree of financial innovation, levels of poverty, stability of a financial sector, financial strength, financial literacy, and regulatory frameworks that vary between nations all have an impact on and are influenced by financial inclusion.

- Bakar & Sulong (2018) studied the role of financial inclusion on economic growth and concluded that financial inclusion is an engine toward growth economy in a several dimensions with various methods used to assess this link and increase in financial system is need of world.

- Bapat & Bhattacharyay (2016) study was carried out in ramtekdi slum area with 4000 respondents concluded that there is clear gap of about 49% respondents who have not shown interest in availing loans and are unaware about the financial services.

- Monalisa (2015) analyzed the extent of Financial Inclusion in the rural areas of district Hisar and suggested some measures to speed up the process of Financial inclusion. It also highlighted the problems faced by the respondents in the selected sample with the present banking system and suggestion given by them to tackle the problems. The sample size consists of covering 367 respondents. The methodology used in the research for selecting a respondent as a sample is convenient and random sampling. The study found that 65.67% households of rural areas of district, Hisar have been financially included.
- Sharma (2016) concluded that there is positive impact of financial inclusion on economic growth on the basis of empirical study.

- Zulfiqar and Bilal (2016), Mutang, et al. (2017) found that financial attitudes have a positive impact on financial well-being.
- Nanda and Kaur (2016) examined that financial inclusion contributes to economic growth through value creation of small business with positive spillover effects on human development indicators such as health, education and reduction of inequality and poverty.
- Sahay (2015) concluded that increased use of these services by women and increased access to various banking services for businesses and households has a significant positive influence on economic growth.
- Zanvar (2015) studied that age, qualifications, and income level affect the level of risk-tolerant investors and hence their investment decisions.
- Ghosh (2013) examined several themes in financial inclusion research such as: promoting development through financial inclusion
- Bold (2012) concluded that financial inclusion helps to improve the level of social inclusion in many societies.
- Nigam & Thakur (2012) studied about the historical background of financial inclusion, recent developments and government initiatives taken for financial inclusion in Madhya Pradesh.
- Ghosh (2011) concluded that several important empirical studies have shown that both poverty and inequality are negatively associated with access to formal financial services.
- Hannig and Jansen (2010) studied the effect of financial inclusion on financial stability and argued that greater financial inclusion presents opportunities to enhance financial stability on the basis of insights like financial inclusion poses risk of institutional levels, potential cost of financial inclusion are compensated for important dynamic benefits that enhance financial stability over the time though diversified financial system.
- Massey (2010) concluded that a developing nation's financial institutions play a critical role in fostering financial inclusion. The pro-activeness of capital market participants,

especially financial institutions, can help the government's efforts to promote financial inclusion and deepening even more.

- Rai (2006) studied about financial deepening and financial inclusion with reference to Indian banking systems.

RESEARCH GAP

Extensive review of literature helped in understanding and identifying few research gaps that need to be addressed. Majority of the existing studies on financial inclusion have focused on determinants of access to and usage of financial services. Most of the studies have catered to country specific data for measuring extent of banking outreach, Self-help groups, and to household/individual survey level data for determining factors affecting financial inclusion. It is estimated that around 2.9 billion people around the world do not have access to formal sources of banking and financial services. After detailed review of literature it is found that the research is already been done on importance of financial inclusion in economic growth and impact of financial inclusion on women empowerment but the specific study considering the urban and rural women with respect to financial inclusion in Madhya Pradesh is still an area which is unexplored. So, there is need to identify the financial inclusion of women and the impact of geography, educational level and employment status of women in Madhya Pradesh.

CHAPTER: 3

3.1 RATIONALE OF THE STUDY

In India financial inclusion is a recent concept which helps in sustainable growth of the economy. India is said to be lived in villages with around 72% population however, a significant proportion of our villages does not have bank branches (RBI, Working Paper 2019). Though women make up two-fifths of the labour force, women have extremely limited access to formal financial channels. The government and RBI have both made efforts to increase the number of financially integrated women, but the results have not yet been determined. Very few studies are done with respect to urban and rural women considering financial inclusion, but no such study is available which specifically pinpoint the inclusion in Madhya Pradesh State. The current study focuses to understand major factors which affect financial inclusion amongst women; its variation depending upon geography, education level and employment status in the state of Madhya Pradesh.

3.2 OBJECTIVES OF THE STUDY

1. To identify the dimensions of financial inclusion.
2. To know the effect of education level on the financial inclusion of women.
3. To study the effect of geographical area on the financial inclusion of women.
4. To understand the effect of employment status on the financial inclusion of women.
5. To know the interactive effect of education level and employment status of women towards financial inclusion.
6. To know the interactive effect of education level and geographical location of women towards financial inclusion.
7. To know the interactive effect of employment status and geographical location of women towards financial inclusion
8. To know the interactive effect of education level, employment status, and geographical location of women towards financial inclusion.
9. To suggest new vistas for research.

3.3 HYPOTHESES:

Based on review of literature and objectives the following hypotheses have been formulated for the present study. There hypotheses will be tested at 5% level of significance.

H_{01}	There is no significant difference in education level and financial inclusion of women.
H_{02}	There is no significant difference in geographical area and financial inclusion of women.
H_{03}	There is no significant difference in employment status and financial inclusion of women.
H_{04}	There is no significant interactive effect of education level and employment status of women towards financial inclusion.
H_{05}	There is no significant interactive effect of education level and geographical location of women towards financial inclusion.
H_{06}	There is no significant interactive effect of employment status and geographical location of women towards financial inclusion.
H_{07}	There is no significant the interactive effect of education level, employment status, and geographical location of women towards financial inclusion.

CHAPTER: 4

RESEARCH METHOD

Research Type: The research work is an exploratory in nature.

Sampling Type: Purposive Sampling will be done for the study.

Sampling Area: The study will be conducted in urban and rural areas from Madhya Pradesh.

Sampling Method: Quota Sampling Technique.

Sample Size: 480

Sample Unit: The women belong to urban and rural districts of Madhya Pradesh.

Research Design

Education level / Employment status	Geographical Area			
	Urban		Rural	
	Employed	Unemployed	Employed	Unemployed
Up to High School	(40)	(40)	(40)	(40)
Up to Higher Secondary	(40)	(40)	(40)	(40)
Graduation	(40)	(40)	(40)	(40)

Source for data collection:

Primary data related to financial inclusion will be collected with the help of self-developed questionnaire. Secondary data from published sources like journals, articles, government websites and books etc. will be collected for the research.

Tool for analysis: Factor Analysis, Anova, Regression Analysis.

CHAPTER: 5

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